

SMALL BUSINESS ANSWER CARD 1998

Small businesses . . .

- represent over 99% of all employers
- employ 52% of the private workers
- employ 61% of the private workers on public assistance
- employ 38% of the private workers in high-tech occupations
- provide virtually all of the net new jobs
- provide 51% of the private sector output
- represent 96% of all exporters of goods
- receive 35% of federal contract dollars
- are home-based 53% of the time and are franchises 3% of the time

Sources for the above facts are from tables in this card and various Office of Advocacy sponsored reports.

When analyzing all U.S. firms, the Office of Advocacy within the U.S. Small Business Administration (SBA) often defines a small firm as a firm with less than 500 employees. For industry definitions, contact the SBA's Office of Size Standards at (202) 205-6618 or visit <http://www.sba.gov/regulations/>.

HOW MANY BUSINESSES ARE THERE?

The total number of businesses in the U.S. is not definitely known; however, the figure is believed to be between 13 and 16 million. In 1995, there were about 5.4 million employer firms, and 11.6 million people with any self-employed earnings. It is unclear how many self-employed persons are involved with more than one business and how many of the self-employed are included as employer firms. There were about 15,000 large firms in 1995. Business tax return figures represents the maximum number of possible businesses and using tax return data, there could be almost 24 million businesses.

Nonfarm Employer Firms, Employment, and Estimated Receipts, 1995

Size of Firm	Firms (Thousands)	Employees (Thousands)	Receipts (Billions)
All Size Firms	5,369	100,315	15,751
0-19 employees	4,808	19,570	2,664
0-99 employees	5,277	37,992	5,342
0-499 employees	5,354	52,653	7,404

Note: Employer firm size data only include firms with employees; this excludes many self-employed individuals.
Source: Bureau of the Census, with funding from SBA, Office of Advocacy.

Self-Employment, 1990 - 1997 (Thousands)

	1990	1995	1996	1997	Change 1996-1997
Total	10,098	10,482	10,490	10,513	0.2%
Women	3,349	3,883	3,900	3,923	0.6%
Men	6,749	6,599	6,590	6,590	0.0%

Note: The data represent self-employment as the primary employer; about another one million persons are self-employed as second jobs. About 65% of the self-employed work 35 hours or more a week.

Source: Bureau of Labor Statistics.

Nonfarm Business Tax Returns, 1990-1997 (Thousands)

	1990	1995	1996	1997P	Change, 1996-1997
Corporations	3,717	4,818	5,005	5,199	3.9%
Partnerships	1,554	1,580	1,679	1,712	2.0%
Sole Proprietorships	14,783	16,157	16,471	16,754	1.7%
Total	20,053	22,555	23,155	23,655	2.2%

Notes: P = Projected. Tax return data include all businesses, but it will overstate the number of businesses when a business files more than one tax return.

Source: Internal Revenue Service.

Women and Minority-Owned Firms, 1982, 1987, and 1992 (Thousands)

	1982	1987	1992	Change 1987-1992
All Firms	12,060	13,695	17,253	26.0%
Women	2,613	4,115	5,889	43.1%
Hispanic	234	422	772	82.9%
Black	308	424	621	46.5%
Asian American Indian, Alaska Native, Pacific Islander	202	377	606	60.7%

Note: Firms include any sole proprietorship, partnership, or S corporation tax return with \$500 or more in sales. Tax return data include all businesses, but it will overstate the number of businesses when a business files more than one tax return.

Source: Bureau of the Census.

HOW MANY JOBS DID SMALL BUSINESSES CREATE?

Small firms are generally the creator of jobs, as almost all firms begin small and small firms often need to grow to compete.

Net New Jobs by Firm Size 1992-1996 (Thousands)

Size of Firms in 1992	Jobs Created
Total	11,182
1-4 employees	5,810
5-19 employees	2,274
20-99 employees	1,417
100-499 employees	2,326
<500 employees	11,827
500+ employees	-645

Note: The data represent the number of net new jobs created in this time period.
Source: Cognetics, Inc., under contract to SBA, Office of Advocacy.

HOW WERE SMALL BUSINESSES FINANCED?

About 75 percent of small firms used a supplier of credit in 1995; however, the percentage of the remaining small firms that declined to access credit or were denied credit is unclear.

Small Firms Using Credit by Suppliers of Credit, 1993 (Percent of firms reporting use of various types of credit)

Credit Source (Suppliers)	Total Small	Without Empl.	With Empl.	Women	Hispanic	Black
Any Credit	75.7	59.7	80.4	73.6	69.9	63.3
Traditional credit lenders						
Traditional loan	54.8	35.4	60.6	50.3	53.9	36.5
Commercial bank	36.9	21.0	41.6	31.5	32.6	15.4
Finance company	11.6	6.1	13.2	10.3	14.9	10.1
Leasing	7.6	2.9	9.0	6.7	7.4	3.5
Non-traditional lenders						
Owner loans	16.5	2.0	20.8	15.2	13.5	9.2
Personal credit card	39.1	40.9	38.5	42.2	35.3	36.2
Business credit card	27.7	18.1	30.5	27.3	30.1	29.2

Notes: Any credit includes loans from traditional suppliers (commercial banks; credit unions; thrifts; finance, brokerage, or leasing companies); corporate owners; friends and family; and/or credit cards. Traditional loans includes any loans excluding owners; and credit card loans. Commercial bank loans include loans from commercial banks excluding personal and business credit cards. Survey sample from the Dun and Bradstreet Corporation's database.
Source: Federal Reserve Board, National Survey of Small Business Finances, 1995.

Business Loans by Commercial Banks, 1996 and 1997 (Billions)

Loan Size	1996	1997	Change
Micro (Under \$100,000)	\$105.2	\$112.2	6.7%
Small (\$100,000 to \$250,000)	67.1	72.1	7.5%
Medium (\$250,000 to \$1 million)	160.7	172.0	7.0%
Large (\$1 million +)	515.1	567.0	10.1%

Source: SBA, Office of Advocacy, *Small Business Lending in the United States*.

HOW MANY BUSINESSES OPENED AND CLOSED?

Business turnover is the domain of small business. Data from the Bureau of the Census indicates that over 99.9 percent of new employer firms, and business closures are small firms.

In 1997, new employer firms outgained business terminations (note that a third category exists, successor firms, which is the reincarnation of some business terminations). The data below does not reveal the number of new firms and business closures of the self-employed without employees.

New Businesses, 1990 - 1997

	1990	1995	1996	1997	Change 1996-1997
New Employer Firms	769,124	819,477	842,357	885,416	5.1%
New Incorporations	647,675	768,180	786,482	798,917	1.6%

Note: "New employer firms" are new firms within a state, resulting in an over count if the firm already exists in another state. Bureau of the Census data indicate that this overcount is about 200,000. "New incorporations" are firms that are either beginning as a corporation, or converting from a sole proprietorship or partnership.

Sources: U.S. Department of Labor (new employer firms); the Dun and Bradstreet Corporation (new incorporations).

Bankruptcies, Failures, and Terminations, 1990-1997

	1990	1995	1996	1997	Change 1996-1997
Terminations	837,511	863,699	849,839	857,073	0.9%
Bankruptcies	63,912	50,516	53,207	53,826	1.2%
Failures	60,432	71,194	71,931	83,384	15.9%

Note: Terminations are business closures (voluntary and involuntary) within a state, resulting in an over count if the firm remains in other states. Bureau of the Census data indicate that this overcount is about 200,000. Failures and bankruptcies are business closures while owing debts.

Sources: U.S. Department of Labor (terminations); Administrative Office of the U.S. Courts (bankruptcies); the Dun and Bradstreet Corporation (failures).

Business Dissolution Rates for New Firms Born Between 1976 -1978 (Percent of firms closing)

Time Period	All Firms	Firms creating 1-4 jobs
After 2 years	23.7	8.3
After 4 years	52.7	19.6
After 6 years	62.2	23.5
After 8 years	70.9	46.5

Note: Dissolutions includes business sales, mergers, acquisitions, etc., as well as involuntary closures such as bankruptcies. No current data is available.

Source: SBA, Office of Advocacy from Dun & Bradstreet Corporation's database which consisted mostly of employer firms.

Survival Rates of All Firms Existing in 1992 by 1996 (Percent)

	Firms closing in each year				Firms surviving until 1996
	1992	1993	1994	1995	
All Firms	7.3	6.7	5.8	4.7	75.5
Firms without employees	8.3	7.7	6.5	5.1	72.4
Firms with employees	2.7	1.5	2.3	3.0	90.5
Industry					
Agr. Srv., Forest., Fish., Mining	8.3	3.9	4.0	7.0	76.8
Construction	7.9	9.2	4.3	6.8	71.8
Manufacturing	5.1	4.6	5.3	3.4	81.6
Trans., Comm., and Utilities	8.5	7.2	5.7	7.6	70.9
Wholesale Trade	6.9	6.7	5.6	3.0	77.7
Retail Trade	6.9	4.8	5.5	5.0	77.8
Finance, Ins., and Real Estate	3.6	3.9	6.3	3.7	82.6
Services	8.0	7.3	6.2	4.2	74.3
Not Classified	11.4	9.5	6.6	4.8	67.6

Note: The source also found that of the status of the businesses at closure was successful for 57.4 percent of the firms with employees and 36.4 percent for firms without employees. Industry figures are heavily influenced by their ratio of firms with and without employees.

Source: Bureau of the Census, *Characteristics of Business Owners*.

NEED MORE ANSWERS?

- For instant access to small business resources, statistics, and research, visit the **Web site** of the SBA's Office of Advocacy at <http://www.sba.gov/ADVO/>.
- For technical assistance, for financial assistance or to contact the SBA office nearest you, call the **Small Business Answer Desk** at 1-800-827-5722.

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